

WORK SESSION MINUTES – WEDNESDAY, JUNE 8, 2022

STATE OF KANSAS)
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CITY OF KANSAS CITY)

Mr. Bryant explained what information had been used at the meeting. He also asked that the topic be on the next Work Session agenda. He then reviewed the current policy and a proposed option. The option would be to change the policy to read that electricity would not be disconnected if the forecasted temperature would be at or below 32 degrees in the next 24-hour period. (See attached.)

Mr. Bryant requested that if anyone had any further suggestions to bring it to the next Work Session and it would be included in the discussion.

Ms. Mulvany Henry requested data that showed, the proposed new policy versus current, versus KCC to look and see how it differed between modifications.

Item #6 – Risk Management Overview

Mr. Maurice Moss, Executive Director Corporate Compliance, gave the Board an overview of BPU’s evolving Enterprise Risk Management and how it would be implemented throughout the utility. (See attached.)

Mr. Moss answered questions from the Board.

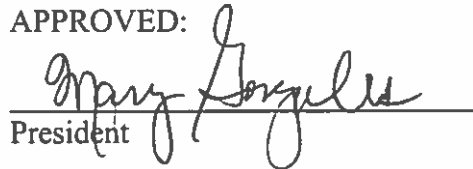
Item #7 – Adjourn

A motion was made to adjourn the Work Session at 5:58 P.M. by Mr. Bryant, seconded by Ms. Mulvany Henry, and unanimously carried.

ATTEST:


Secretary

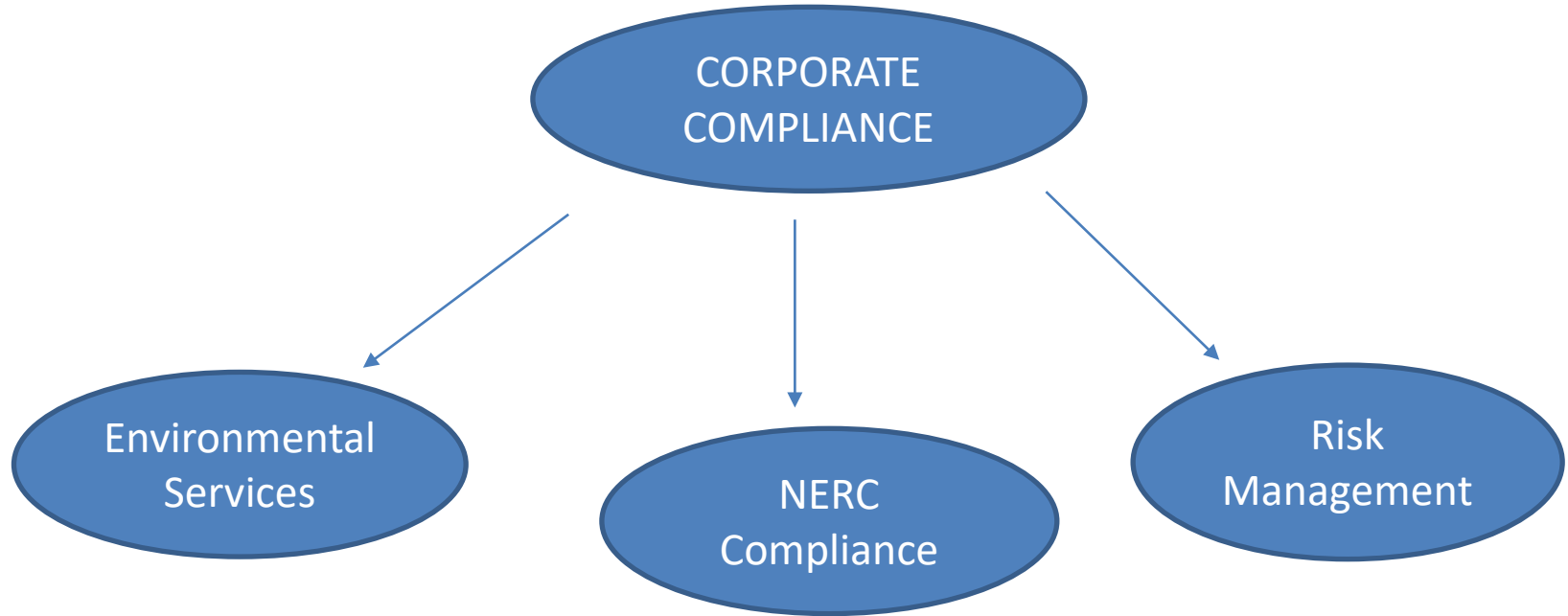
APPROVED:


President

Enterprise Risk Management Overview

June 08, 2022

- What is Risk Management?
- What are the differences between Risk Management and Enterprise Risk Management?
- Implementation Overview
- Questions?





Definition of Risk Management

Risk management is the continuing process to **identify, analyze, evaluate, and treat** loss exposures and monitor risk control and financial resources to mitigate the adverse effects of loss.

Risk Management Definition

- BPU utilizes Nearman Unit 1 to hedge against energy market spikes; so long as Nearman continues to run during high load times, BPU is hedged from market spikes.
 - Coal deliveries
 - Environmental Regulations
 - Significant outages
 - Natural Disaster
- BPU has a declining load and increasing costs without a formal plan to diversify revenue.
- BPU competes for IT employees with companies that are located across the US. However, the IT workforce is not bound by geographic location.

Risk Management Definition

To address Risk, we use the following:

➤ **Avoidance**

- ✓ Prohibiting speculative buying and selling of energy projects

➤ **Mitigation**

- ✓ Emergency water sales agreement

➤ **Transfer**

- ✓ Require contractors completing work on property to carry liability insurance.

➤ **Acceptance**

- ✓ Sole source contractors with potential red flags

What is Enterprise Risk Management?

Enterprise Risk Management

- A **structured, consistent, and continuous risk management process** that is applied across the entire organization
- **Identifies, assesses, prioritizes,** and manages the internal and external risks that impact the organization
- Driven by a **decision-support process** that is aligned with the management and execution of **strategic objectives**
- Enhanced by the assignment of roles and responsibilities, **reporting and communication,** policies and procedures, and **adoption of a risk-based culture**

Enterprise Risk Management

Traditional

- Insurable
- One-Dimensional
- Manages one-by-one
- Siloed Approach
- Reactive & Sporadic
- Disjointed Activities
- Risk Adverse

Enterprise

- Non-Insurable
- Multi-Dimensional
- Manages relations of risk
- Holistic Approach
- Proactive & Continuous
- Embedded in Culture
- Risk Taking

Why implement ERM?

External forces

- Complexity of the industry
- Increasing diversity of business lines and services
- Increasing number of regulations
- Increase in extreme weather
- Additional marketplace competition

Why implement ERM?

Internal forces

- Fragmented or “silo” risk management efforts
- Lack of aggregation of common risks and reporting
- Lack of attention to how risks are correlated
- Lack of risk prioritization and budgeting

Why implement ERM?

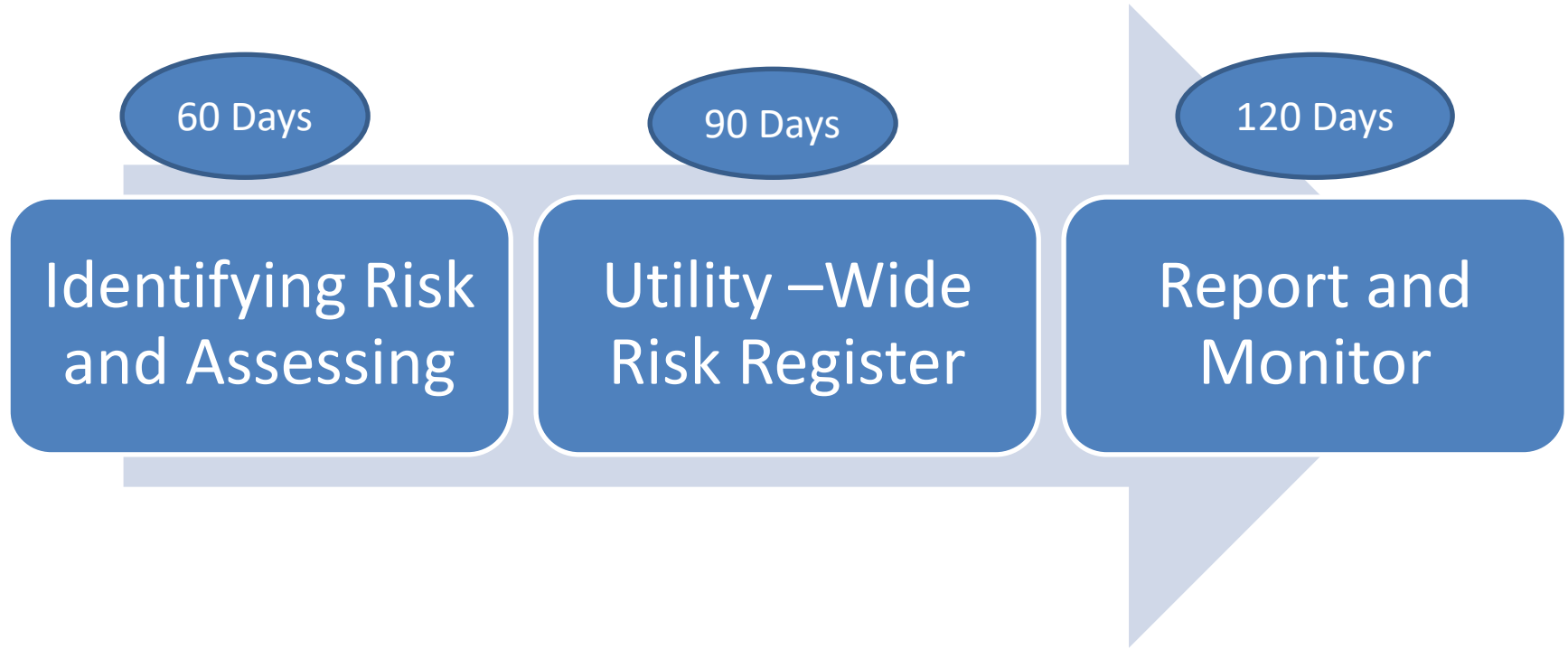
Similar utilities with Board adopted Enterprise Risk Management and Risk Management departments.

- **Lansing Board of Water Light** (100,000 electric and 58,000 water)
- **Lincoln Electric System** (128,000 electric)
- **Eugene Water and Electric Board** (93,000 electric and 107,000 water)
- **City Utilities of Springfield, Mo** (118,000 electric; 82,000 water and 84,000 gas)

What is the implementation plan?



Lp.	The main of risks	Owner of risk	Reason/cause	Effect	Risk assessment			Risk response strategy	Cost of strategy
					Probability	Impact	Level of risk		
Designing risk									
1	Lack of acceptance by Investor of design proposals	Investor	Delays in approval	Increase in costs due to the suspension of work of the design team	5-40%	50thous.-500thous.	Low	Market observation, alternative designing solutions	0
2	Delays and difficulties in obtaining opinions and permits	Investor	Delay of designing work, unknown scope of design	Disturbed designing process	5-40%	500thous.-2millions	Medium	Earlier diagnosis of the situation in local authorities offices, organization of meetings preceding designing process	50thous.
3	Conflict among designing team members	Designer office	Insufficient flow of information among team members	Disturbed designing process	0-5%	50thous.-500thous.	Low	Response of a team leader to all form of conflicts - mediation in a team	15thous.
4	Too optimistic assessment of employee workload	Designer office	Approval of unrealistic deadlines for individual work	Delay of designing work	5-40%	50thous.-500thous.	Low	Proposing for employees to work overtime or ordering of part of work to another designing team	120thous.
5	Incorrect information from investor/lack of clear guidelines	Investor	Design may be issued with duplicate error or detected error can generate timing constrains	Verification of errors will increase costs and increase time due to the development of the next revision of design	40-70%	2-5 millions	High	Application to investor for extension of time to complete a design due to additional circumstances	20thous.
6	Staff do not have sufficient knowledge about the subject of design	Designer office	Errors in design	Verification of errors will increase time due to the repeated checks of designing work	5-40%	2-5 millions	Medium	Designing team leader strengthens control over work, providing for employees consultation with an expert	65thous.
Time risk									
7	Acceptance of unrealistic deadlines in contract	Designer office	Faulty contractual provisions	Deterioration of design quality of failure to meet the deadline	40-70%	2-5 millions	High	Employment of new employees or ordering part of work to another party during a contract	105thous.
Budget risk									
8	Underestimation of design budget	Investor	Budget may not be sufficient to carry out designing tasks	Deterioration of design quality	40-70%	2-5 millions	High	Limiting scope of design to necessary minimum	40thous.



- Risk Management removes silo-based decision making
- Risk Management becomes embedded in key processes such as strategic, budgeting and project planning
- Evaluate risk priorities and allocate resources strategically
- Develop a common and consistent approach to addressing risk across the institution
- Practice proactivity rather than reactivity

Questions?

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